

'Ah Ha!' & 'Uh Oh!' Formulae estimate maximum recommended 'affordable' & 'risky' purchase prices for new & resale, privately-owned homes of any type, sited on realty owned fee simple with home, or leased!*

Ascertain a prospective homebuyer or household's Annual Gross Income ('AGI'); or, if researching any local U.S. housing market, use its' Area Median Income ('AMI'), per postal zip code, available from zipskinny.com

Givens. Prospective homebuyer or household's AGI, or local housing market's AMI starting point is \$36,000/year; with loan terms available at 6.5% interest (for a real estate secured mortgage) or 9.5% interest (for a chattel or personal property secured mortgage), with a 20 year term; & landlease (nee manufactured home) community homesite rent presently at \$333.00/month. Use following seven steps to estimate maximum recommended 'affordable' & 'risky' purchase prices for new & resale, privately - owned homes of any type, sited either on realty owned fee simple with the home, or on a rental homesite in a LLCCommunity!

Steps	Home & Realty 'fee simple & affordable'	Home & Realty 'fee simple & risky'	Description of Steps	Home in LLCCommunity 'leased site & affordable'	Home in LLCCommunity 'leased site & risky'
1.	\$36,000	\$36,000	AGI or AMI	\$36,000	\$36,000
2.	$\times .30\%$ = \$10,800	$\times .30\%$ = \$10,800	HEF ²	$\times .30\%$ = \$10,800	$\times .30\%$ = \$10,800
3.	$\times .75\%$ = \$8,100	$\times 100\%$ = \$10,800	Available for annual P&I (+) site rent	$\times .75\%$ = \$8,100	$\times 100\%$ = \$10,800
4.	$\div 12$ = \$675/month	$\div 12$ = \$900/month	$\div 12$ months for mntly. pymt. amt.	$\div 12$ = \$675/month	$\div 12$ = \$900/month
5.	not applicable = \$675/month	not applicable = \$900 month	- homesite rent = net monthly PI payment	- \$333/month = \$342/month	- \$333/month = \$567/month

Using Financial Calculator⁴ Estimate Mortgage Amount

6.	\$675 6.5% 20 years \$90,534	\$900 6.5% 20 years \$120,713	(Pmt) (Int) ³ (Term) (Loan Amt.)	\$342 9.5% 20 years \$36,690	\$567 9.5% 20 years \$60,828
7.	$\div .9$ \$100,593 (affordable) \$101,000 (affordable)	$\div .9$ \$134,126 (risky) \$134,000 (risky)	Assuming 10% Down payment Estimated Home Purchase Price \$ Purchase Price ⁵ Rounded	$\div .9$ \$40,767 (affordable) \$41,000 (affordable)	$\div .9$ \$67,587 (risky) \$68,000 (risky)
8.	Value of homesite ⁶		and add . . .	not applicable here	

End Notes:

- Here, 'Ah Ha!', is an acronym of Affordable Housing & Housing Affordability; whereas 'Uh Oh!' is hyperbole for 'risky', the antithesis of 'affordable' housing.
- 30% annual Household Expense Factor ('HEF') is either 'loaded' with loan principal, interest, taxes & insurance (i.e. PITI) and household/utility expenses, not including telephone expenses; or is 'barebones', allowing only for PI, & no TI. The 'loaded' perspective ensures 'affordability', as household expenses are included in monthly payments; whereas, 'barebones' perspective is 'risky', as household expenses still must be paid, but now *in addition to* monthly amount set aside for loan payment.
- Chattel (personal property) mortgages often 3%+/- higher than realty mortgages
- Real Estate Master 111X model # 3405 @ (800) 854-8075 available for \$50.+/-
- Final dollar figures unaffected by real estate & personal property taxes; value appreciation & depreciation.
- Adjust price down to account for value of underlying realty.

'Ah Ha!' & 'Uh Oh!' Formulae based on *HOUSING AFFORDOGRAPHY*, PMN Publishing, 2008, Box # 47024, Indianapolis, IN. 46247.